

## Portfolio Summary of the Local Government Investment Pool

### Summary

- Ending March market value for the LGIP was \$1.328 bil versus February's reported closing value of \$1.332 bil.
- The LGIP maintains a AAAM rating by Standard & Poor's.

### Portfolio Mix

- At the end of March, the portfolio was invested as follows: 48% in US Treasury securities, 34% in collateralized demand deposit accounts with qualified banking institutions, 9% in supranational securities, 5% in repurchase agreements, and 4% in US government agency securities.
- At month-end, the LGIP held positions in 31 securities.

### Investment Earnings

- During March, the fund earned \$177,941.
- For FY2022, the fund earned \$1,119,370.
- LGIP earnings are retained by participants after a management fee of 0.05% is paid to the General Fund.

### Performance

- Gross yield on the LGIP was 0.175% at the end of March.
- Net yield to participants was 0.125%.

Data unaudited. Information is obtained from third party sources that may or may not be verified. Many factors affect performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments. All comments and discussions presented are purely based on opinion and assumptions, not fact. These assumptions may or may not be correct based on foreseen and unforeseen events. The information presented should not be used in making any investment decisions. This material is not a recommendation to buy, sell, implement, or change any securities or investment strategy, function, or process. Any financial and/or investment decision should be made only after considerable research, consideration, and involvement with an experienced professional engaged for the specific purpose. Past performance is not an indication of future performance. Any financial and/or investment decision may incur loss.

### Investment Highlights

- For the LGIP, the WAM(R) of 35 days and WAM (F) of 67 days were within their maximums of 60 and 120 days respectively.
- During the month, the LGIP purchased \$235.0 mil U.S. Treasury securities and \$25.0 mil U.S. government agency securities, and \$20.0 mil supranational securities.

### Investment Strategy

- LGIP WAMs are currently 39 and 67 days for WAM(R) and WAM(F), respectively.
- LGIP will continue to focus on maximizing safety of principal and providing adequate liquidity through the use of prudent investments.

### Net Asset Value/Share

- At month-end, the Net Asset Value per Share of the Local Government Investment Pool was \$0.99972.

### CONTACT

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Investment Transaction Supervisor: Hannah Chavez

Portfolio Managers: Anna Murphy, CFA,  
and Vikki Hanges, Chief Investment Officer

The LGIP Internet Participant Access System (IPAS) gives you paperless transactions and statements and easy, no hassle, multi-level approvals. You can transfer cash, purchase shares, and redeem shares within authorized accounts at the push of a button.

To enroll, contact Felicia Roybal.

## Market Watch

The first quarter ended with the Fed's highly anticipated increase in short-term interest rates at the March 16 meeting. The committee members voted to raise the Fed Funds rate range to 0.25%-0.50% from 0.00%-0.25%. The Federal Open Market Committee (FOMC) meeting minutes revealed that were it not for growing geopolitical uncertainty, the committee members would have been open to a 0.50% increase rather than the 0.25% move that was ultimately implemented.

The Fed also provided updated economic and interest rate projections at the March meeting. The median expectation for the Fed Funds rate range by the end of 2022 increased from 0.75%-1.00% to 1.75%-2.00%, with several members forecasting higher than 2% Fed Funds by year end.

This move was in response to Fed members raising their expectations for 2022 inflation (as measured by the Core Personal Consumption Expenditure Index) to just over 4%, which is 1.5% higher than what was projected in December and well above the 2% target inflation rate.

The March projections revealed a growing consensus that inflation could dampen economic growth this year, with 2022 real Gross Domestic Product (GDP) expectations falling just over 1% to 2.8%, a move that appeared to be in sync with the unanticipated 1.4% economic contraction in the first quarter. All told, the Fed's mandate to subdue price pressures through its policy stance appears even more imperative.

Chair Powell emphasized that monetary policy, rather than balance sheet management, would be the primary tool for addressing inflation, and that the Fed would provide more details on the expected runoff of its \$9 trillion balance sheet at the upcoming May meeting.

This hawkish shift was immediately reflected in the bond market, as market participants adjusted to a faster and steeper path of interest rate normalization; this is shown in the rising yield on the 2-year Treasury note versus Fed Funds rate in Figure 1. The market is now ahead of the Fed once more, pricing in 10 additional 0.25% rate increases and a year-end Fed Funds range of 2.75-3.00% as of the end of April. The Fed is now expected to move rates 0.50% at each of the next three meetings, beginning with the May 4 meeting.

The LGIP will benefit as short-term interest rates rise, with the LGIP yield increasing

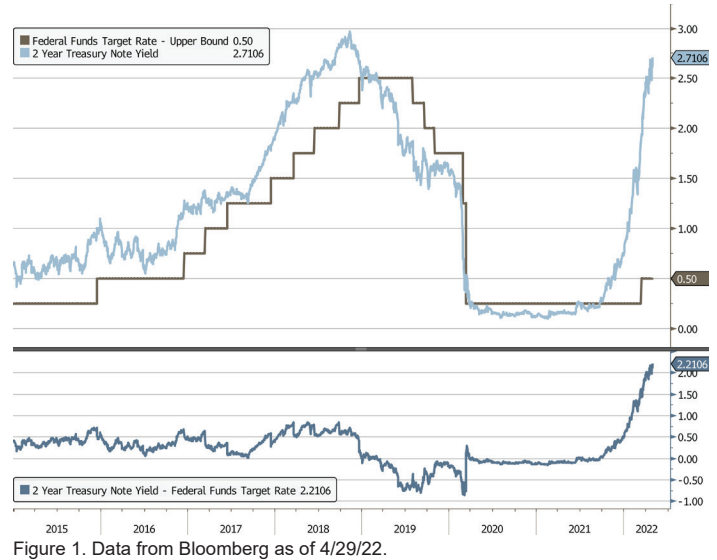


Figure 1. Data from Bloomberg as of 4/29/22.

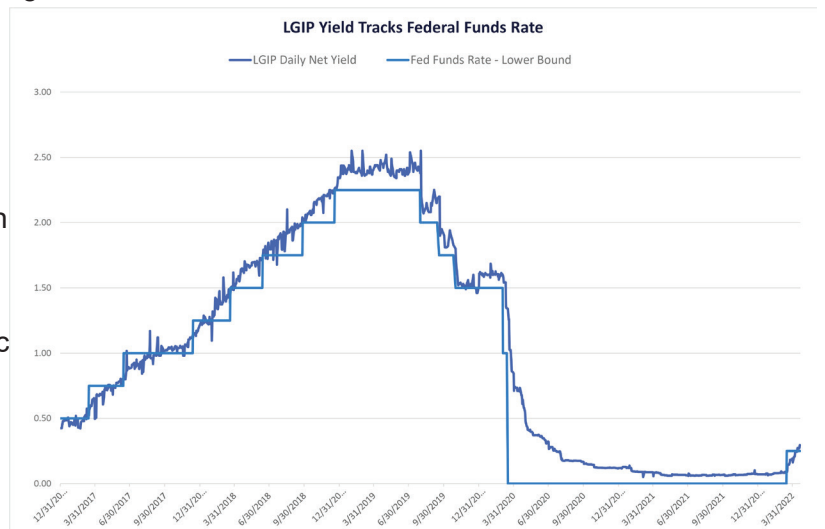


Figure 2. Data from Bloomberg and Broadridge.

in lockstep with the Federal Funds rate. This is illustrated in Figure 2. Over market cycles, the yield on the pool will track the level of Federal Funds closely, albeit at a slightly lagged pace, as maturities and new cash are invested at higher yields. The very high quality and short-term average maturity of the LGIP will drive its performance higher, with limited risk to principal stability. As always, the LGIP will prioritize safety, liquidity, and yield—in that order.

## Upcoming Data to Watch

Data	Period	Value	Next Period	Expected Value	Release Date
ISM Manufacturing Index	Mar-22	57.1	Apr-22	57.7	5/2/2022
ISM Services Index	Mar-22	58.3	Apr-22	58.7	5/4/2022
Fed Funds Target	16-Mar-22	0.25%-0.50%	4-May-22	0.75%-1.00%	5/4/2022
U.S. Unemployment	Mar-22	3.60%	Apr-22	3.60%	5/6/2022
Change in Nonfarm Payrolls	Mar-22	431,000	Apr-22	390,000	5/6/2022
CPI YoY	Mar-22	8.50%	Apr-22	n/a	5/11/2022
PPI YoY	Mar-22	11.20%	Apr-22	n/a	5/12/2022
PCE Core Deflator YoY	Mar-22	5.20%	Apr-22	n/a	5/27/2022
GDP QoQ	Q1 2022	-1.40%	Q2 2022	n/a	7/28/2022

Data from Bloomberg as of 4/28/2022.